

- Cuts Excess Subsidies to Private Student Loan Industry -

- Will Save Average Student Borrower in New York \$4,570 -

Washington, DC – U.S. Rep John Hall (D-NY19) today voted to approve legislation that would make the single largest investment in college financial aid since the 1944 GI Bill, helping millions of students and families pay for college – and doing so at no new cost to U.S. taxpayers.

The College Cost Reduction Act of 2007 (H.R. 2669), which the House passed today, would boost college financial aid by about \$18 billion over the next five years. The legislation pays for itself by reducing excessive federal subsidies paid to lenders in the college loan industry by \$19 billion. It also includes \$750 million in federal budget deficit reduction. The Senate is expected to vote on similar legislation this month.

“No one should be denied the opportunity to go to college simply because of the price,” said Hall. “This is a historic step towards realizing the goal of making college affordable for every qualified student in the country.”

Under the legislation, the maximum value of the Pell Grant scholarship would increase by \$500 over the next five years. When combined with other Pell scholarship increases passed or proposed by Congress this year, the maximum Pell Grant would reach \$4,900 in 2008 and \$5,200 in 2011, up from \$4,050 in 2006, thus restoring the Pell’s purchasing power. About 6 million low- and moderate-income students would benefit from this increase. This would save students in New York over \$1 billion.

The legislation would cut interest rates in half on need-based student loans, reducing the cost of those loans for millions of student borrowers. Like legislation passed by the House earlier this year, the College Cost Reduction Act would cut interest rates from 6.8 percent to 3.4 percent in equal steps over the next five years. Once fully phased-in, this would save the typical student borrower in New York – with \$13,800 in need-based student loan debt – \$4,570 over the life of the loan. About 6.8 million students take out need-based loans each year.

The legislation would also prevent student borrowers from facing unmanageable levels of federal student debt by guaranteeing that borrowers will never have to spend more than 15 percent of their yearly discretionary income on loan repayments and by allowing borrowers in economic hardship to have their loans forgiven after 20 years.

The College Cost Reduction Act includes a number of other provisions that would ease the financial burden imposed on students and families by the cost of college, including:

- Tuition assistance for excellent undergraduate students who agree to teach in the nation’s public schools;
- Loan forgiveness for college graduates that go into public service professions;
- Increased federal loan limits so that students won’t have to rely as heavily on costlier private loans; and

- New tuition cost containment strategies.

President Franklin Roosevelt signed the GI Bill into law in 1944. The original law enabled 7.8 million veterans of the Second World War to participate in education or job training programs.

A broad coalition of student advocacy groups and labor organizations support the College Cost Reduction Act.

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